It's time to offer behavior services

Galloping ahead in equine practice

EXPENSES CONSUME UP TO 70.2 PERCENT OF GROSS
SEE SURVEY RESULTS, PAGES 40, 42

NOVEMBER 19

veterinary economics

E OF PRACTICE MANAGEMENT AND FINANCE

DO YOUR EMPLOYEES "OVERDRESS" YOUR INCOME?

Then it's time to let them in on your expenses

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MEMO FROM THE EDITOR

No more dirty looks

You've probably heard more than once that your income is not where it should be. Management consultants nationwide are waging a fierce campaign to convince you and your colleagues to realize your worth —and set your fees accordingly. Just the other day, a veterinarian called to tell me that he appreciates our contributors' efforts to pull practitioners away from what he described as their "Leave It to Beaver" fee schedules.

But while we're telling you that there is more money to be made —and that you deserve it—there is an important crowd of people who may see things another way. Those people are your employees, and in most cases, all they see is your income. Day after day, they see the money coming in, and because they know that *they* won't take much of it home, they figure the lion's share goes to you. Where, they wonder, do you get off moping about your grocery bill when so much money comes in your door?

The problem: They can't see the big picture. The reason? You won't show it to them. And when employees are left in the dark, they're more likely to conjure up images of your lavish lifestyle, shoot you a dirty look now and then, and be far less likely to cooperate. In this month's cover story, Dr. Alan Bush proposes a fairly obvious but radical solution: Tell them the truth. Tell your employees what the practice makes —and more important, what it spends. And if you need some nationwide averages to back you up, show them the results of our annual expense survey (pages 40, 42).

Dr. Bush says that by sharing more information with your staff, you'll do more than stop the dirty looks: You'll spark the beginnings of teamwork, and motivate your employees to manage themselves for the benefit of the practice. Of course, you'll have to give up some of your control, and a lot of your secrecy, but the payoffs are worthwhile. You'll stand a much better chance of controlling expenses and improving *everybody's* income if you and your employees play on the same team.

Becky Turner

Rebecca R. Turner

veterinary economics

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NOTEWORTHY

PROGRAM UNITES SICK KIDS WITH THEIR OWN PETS

Last spring, Stephanie Schrode, a 12-year-old cancer patient undergoing chemotherapy at the Cincinnati Children's Hospital Medical Center (CHMC), asked her mother to sneak her year-old toy poodle, Hootch, into the hospital in a pillowcase.

To Stephanie's surprise, Hootch arrived at the hospital without a disguise —and with much fanfare. The reunion kicked off the first "Pet Connection," a program created by the Cincinnati VMA (CVMA) in cooperation with the CHMC.

Unlike other pet-therapy programs, Pet Connection reunites a hospitalized child with his or her *own* cat, dog, or gerbil. Prior to each hospital visit, a licensed veterinarian makes sure that the pets are current on all vaccines, and free of any parasites and communicable diseases.

To help offset the costs of a pet visit—often a hardship for families coping with a child's long-term illness—CVMA president Dr. Bob Dahlhausen donated $1,000 to the hospital's Child Life Department to fund the pets' initial exams, treatment, transportation, and boarding. Dr. Zeke Zekoff, president-elect of the CVMA, examined Hootch prior to the visit.

The CVMA hopes to continue the pet-therapy program through both corporate funding and contributions of veterinary, kennel, and airline services and facilities.

CLIENT CARE

How well do your clients care for their pets? According to an AAHA survey of 2,000 people who take their pets to a veterinarian:

71% say their pets are well-behaved most of the time

54% feed their pets table scraps

18% think their pets are overweight

50% bring their pets to a veterinarian for dental care

10% brush their pets' teeth at home

59% travel with their pets

70% exercise their pets daily

CALLING ALL HOSPITAL BROCHURES!

What makes a great veterinary hospital brochure? If you are proud of the design and contents of yours,we'd like to see it.

In an upcoming issue of VETERINARY ECONOMICS, Dr. Marty Becker will discuss the ingredients that go into creating an effective, client-pleasing brochure. In the same article, we'll show you several of the best brochures we receive from you and your colleagues.

Please send your brochure, plus a brief description of why you think it works so well, to: VETERINARY ECONOMICS, 9073 Lenexa Dr., Lenexa, KS 66215. For your brochure to be considered for inclusion in Dr. Becker's article, it must be postmarked no later than December 15, 1991. ■

Bob Levoy's

SUCCESS FILE

Handling sensitive situations at the front desk

Your receptionist's response to sensitive situations can make or break your practice image. How she responds is critical, for example, when:

- she doesn't know how to handle an incoming phone call;
- a client picks up his pet and discovers it's dirty, smelly, or has external parasites;
- a client becomes grief-stricken over a pet's death;
- a client complains about your fees, or about a disagreeable policy.

Does your receptionist know how you prefer she handle such situations—in word *and* spirit? If not, she'll need to rely on intuition, guesswork, or trial and error, any of which may be well-intentioned but woefully inadequate. I recommend two solutions:

- Develop an "answer book" for every sensitive situation that may arise at the front desk. Ask your staff—especially your receptionist—for input.
- Role-play such situations, with each person playing both client and receptionist. Critique the responses, and brainstorm for improvement. Then determine the most effective way to deal with each situation.

BOB LEVOY is a management consultant, author, and popular seminar speaker to the veterinary profession.

DO YOUR EMPLOYEES "OVERDRESS" YOUR INCOME?

Then it's time to tell them about your expenses. Employees see the money coming in—and many assume you take most of it home. You'll do yourself, your practice, *and* your staff members a favor if you let them in on the truth.

By Alan Bush, DVM

Want your staff to show more commitment and initiative? Wish they would work harder and smarter? Then take the lead and share your finances with them.

"You've got to be kidding!" you say? I'm not, and here's why: Good employees want to feel that they are active participants in your practice. They want a sense of control over their destinies. That means that the commitment and initiative you expect from them must be a two-way street.

Don't panic. Telling your employees more about your practice does *not* mean management by democracy. Under participative management, employees don't get a vote. What they do get is accurate information about what's happening in the practice now, and what will happen in the future. They also get a say in their work, and a chance to share their suggestions and opinions.

Of course, most owner practitioners don't want to share financial information, because they don't want staff members to know how much (or how little) they take home. Withholding information, however, creates curiosity—curiosity that is easily satisfied by studying a day sheet or fee schedule, or by asking the receptionist a few innocent questions. Most staff members—through some simple extrapolation and a modicum of employee-to-employee communication—already have a notion of what you make.

I guarantee, though, that most of them guess far too high. And why wouldn't they? They can see what's coming into the practice, and they know what they make; most employees assume that the owner takes home the difference.

If you don't believe me, try the following exercise with your own staff—if you have the courage. At your next staff meeting, ask your employees to write down the answers to the following questions:

1. How much money comes into the practice during a good day?
2. How much money comes into the practice during a good week?
3. How much money comes into the practice during a good month?
4. How much money comes into the practice during a good year?
5. How much of this money goes toward expenses?
6. How much will Dr. Owner make in the next year?

I think you'll be surprised how much staff members know about the practice's intake—and how little they know about expenses. And it will probably shock you to see what they think you make.

Looking at the whole equation

If you want employees to show more initiative, then it's time to teach them the financial information they need to begin managing themselves. You can start the process at a staff meeting. Outline for your employees practice costs, revenues, and strategic priorities. Sharing this information will let your people know that you trust them. Would a good coach withhold the score from the team and expect the players to win the game anyway?

Sharing financial information at staff meetings also allows you to focus on the facts. Rather than presenting general impressions

THE AUTHOR, based in Big Key Pine, Fla., teaches a business development program called Modular Management Systems. A member of the National Speakers Association, he lectures on practice management.

SO THAT'S WHERE THE MONEY WENT

In the chart below, you'll find the average amount veterinary practices spent on each expense category in 1990. The percentages indicate the percent of gross practice income spent on each category.

	All DVMs	Small animal	Mixed animal	Large animal	Equine
Salaries, bonuses, retirement for non-DVM assistants	$60,300	$72,200	$50,800	$37,500	$27,000
	14.0%	16.5%	12.6%	8.0%	6.4%
Salaries, bonuses, retirement for employed DVMs	$31,500	$34,700	$26,700	$30,600	$27,900
	5.9%	6.2%	5.5%	6.0%	4.6%
Office or hospital mortgage or rent	$26,700	$32,400	$20,400	$17,800	$18,000
	7.1%	8.1%	6.4%	4.5%	5.4%
Drugs and medical supplies*	$76,800	$60,400	$95,500	$108,300	$81,400
	21.1%	16.2%	26.9%	26.4%	28.5%
Professional travel and continuing education	$6,955	$6,528	$7,322	$7,871	$7,745
	1.9%	1.6%	2.0%	2.5%	3.1%
New medical equipment and repairs	$14,566	$13,996	$15,644	$13,282	$16,768
	4.0%	3.7%	4.4%	4.1%	6.1%
Practice management consultants	$2,610	$3,497	$1,364	$2,160	$1,373
	0.5%	0.6%	0.3%	0.5%	0.2%
Other tax-deductible professional expenses	$26,605	$25,406	$29,751	$22,601	$27,582
	7.8%	7.5%	7.7%	8.1%	11.4%
Total practice expenses	$281,500	$289,900	$274,500	$281,300	$226,000
	70.2%	69.3%	72.2%	68.5%	71.7%

Source: VETERINARY ECONOMICS 1991 financial survey

Base: Full-time practicing veterinarians
All figures are 1990 means (averages)

*Figures exclude retail products.

that are subject to perceptions and emotional interpretation, you can logically discuss current financial trends. The financial statistics you reveal are, of course, up to you, and they probably won't reveal everything about the practice. They will, however, provide a basis for rational comparisons. Black and white numbers can be hard to face, but they bring a sense of clarity and honesty to your practice.

I can hear the complaints already: "My private financial information will turn up all over town." "Our staff members won't understand the information." And my personal favorite, "My employees might demand a raise!" Yes, there are some risks involved. If you are understaffed or are underpaying your employees, the numbers will be hard to explain. If your practice is poorly managed, the numbers will say so. If your pay is deficient, you might be embarrassed—but it will open your eyes.

In my experience, the positive results outweigh the risks involved. For example, your employees will start to see themselves as part of a team. They'll begin to understand that if the practice is going to fulfill its purpose, then certain goals must be accomplished. If your practice is going to win for patients, clients, staff, and ownership, your staff needs to know the score.

Sharing pertinent financial information also makes your staff members feel important. It raises their self-esteem, and they begin to feel significant to the future workings of your practice. They also start to make better decisions. Most practice owners want their employees to process information, then make a decision and solve problems. Without the whole picture, however, they can't make good decisions. Information empowers them to understand and make decisions on their own.

> If your practice is going to win, your staff needs to know the score.

Let them help you

Employees develop knowledge about their jobs that practice owners may never understand. Their unique perspectives can be the source of great ideas about income enhancement and expense control—especially if you give them the information they need and make them feel part of a team. Even a complex computer system can't control expenses as well as a motivated team of people.

Financial knowledge puts your staff members in an ideal position to make suggestions on how to cut costs, how to enhance revenue, and so on. Rewarding this behavior will, in most cases, stimulate it; for example, you might reward your employees with cash bonuses, gifts, time off, educational opportunities, or simply the praise and recognition they crave.

When staff members know and understand the financial picture, they can take responsibility for their own profitability; they can measure their performance and make rational changes to improve their results. And when your staff members begin to manage their own positions and share the responsibility for maintaining profitability, you'll be free to focus on the big picture, which involves both leadership and planning. (See the box on page 44.)

The need is now

Why should you take the time and effort to make your employees feel a part of your practice? The internal benefits are outlined above, but there is a compelling external reason as well.

Veterinarians in North America are about to face an unprecedented employee crisis. Demographics reveal that there will be fewer entry-level employees available to fill the needs of all businesses in the next 10 to 15 years. There will no longer be an endless supply of high-school graduates eager to work for minimum wage with little chance for growth and advancement.

Even now, veterinarians are having a difficult time finding the right people. Among the stum-

A REGIONAL SAMPLING OF EXPENSES

As in the chart on page 40, the survey figures shown here include the actual amount, and the percentage of gross income, veterinary practices spent on each expense category in 1990. For a map of the regional breakdown used here, see page 70.

	Pacific	Mountain	South-Central	Plains	Great Lakes	Mid-South	South-Atlantic	Mid-Atlantic	New England
Salaries, bonuses, retirement for non-DVM assistants	$80,500	$34,600	$42,000	$58,800	$74,000	$51,200	$50,700	$67,400	$59,700
	15.8%	11.4%	14.9%	14.1%	13.3%	15.4%	14.2%	12.1%	14.5%
Salaries, bonuses, retirement for employed DVMs	$38,500	$24,100	$18,400	$25,600	$46,900	$27,500	$24,100	$29,700	$27,800
	6.7%	5.2%	5.4%	6.7%	7.5%	4.7%	4.2%	5.1%	5.7%
Office or hospital mortgage or rent	$39,200	$24,000	$17,600	$24,400	$29,200	$15,300	$27,300	$25,900	$22,500
	7.7%	8.7%	6.8%	7.7%	6.4%	5.1%	8.4%	5.9%	6.8%
Drugs and medical supplies[1]	$65,200	$58,900	$57,300	$99,500	$87,500	$68,000	$72,100	$103,500	$60,600
	15.1%	22.0%	22.5%	28.3%	20.8%	23.4%	21.1%	19.5%	18.5%
Professional travel and continuing education	$6,430	$4,963	$2,752	$6,080	$6,252	$5,753	$8,523	$15,146	$5,856
	1.6%	2.1%	1.2%	2.0%	1.6%	1.9%	2.1%	2.6%	1.8%
New medical equipment and repairs	$17,064	$11,132	$8,910	$13,791	$15,169	$12,895	$12,111	$24,487	$16,861
	3.5%	4.9%	3.5%	4.9%	3.6%	3.8%	4.2%	3.9%	4.7%
Practice management consultants	$2,140	$1,135	$1,738	$1,784	$7,832[2]	$646	$955	$2,089	$1,331
	0.4%	0.4%	0.5%	0.4%	1.0%[2]	0.5%	0.2%	0.4%	0.4%
Other tax-deductible professional expenses	$38,952	$32,995	$30,446	$26,954	$21,637	$22,946	$19,146	$24,585	$32,947
	10.9%	11.2%	7.3%	6.1%	7.2%	9.5%	7.5%	5.0%	9.8%
Total practice expenses	$358,800	$223,300	$193,700	$273,100	$329,300	$234,900	$241,200	$330,000	$269,800
	73.3%	74.3%	67.2%	74.3%	69.2%	73.3%	69.3%	64.1%	71.5%

[1]Figures exclude retail products.
[2]Due to rounding, these numbers may be inflated.

All figures are 1990 means (averages).
Base: Full-time practicing veterinarians.

For survey methodology, see the September 1991 issue, page 33. ▶

bling blocks is the fact that only about one person out of 20 has the personality and ability to master the skills needed in a veterinary practice. And of course, after you've found this person, it's not easy to set financial and emotional compensation packages that will keep the employee happy over the long haul.

If you want to avoid the coming crisis, and to reap the benefits of making your practice staff a team, isn't it time you let your employees know the score? ■

LEAD THE WAY

I saw the Chinese acrobats recently. At the end of the performance, a juggler, with the help of only one assistant, started 30 plates spinning. He balanced them with such dexterity that within a few minutes all of the plates were spinning at one time.

On the way home, my wife told me that the juggler reminded her of me when I opened my practice. "How so?" I asked (in Chinese, of course). Her answer: "Back then, you took responsibility for every task within the practice."

As I thought about it, I realized she was right. As a practicing perfectionist, I had been a one-man monopoly. Not only did I change every light bulb, I looked over everyone's shoulder and determined what plates to spin, and when to spin them.

At first, this approach seemed to work, but as the practice grew, it was a disaster. My practice was limited to what I could do and decide in one day. Little wonder I worked 12 hours a day, felt overwhelmed, and juggled money to get by. At times, the sound of plates striking the floor was deafening.

I knew, of course, that it was my responsibility to provide leadership, and I assumed that leading by example was the best way. Unfortunately, I interpreted "leadership by example" to mean that the leader did it all. This misunderstanding not only held back the practice, it kept staff members from fulfilling their potential. As a result, they proved inadequate when I needed them most.

After years of frustration, I discovered that effective leadership can be learned. I learned, for example, that a key role of a leader is to build faith and trust—the adhesives that hold a practice together. Leaders, I also learned, build trust through communication. By sharing information, they show their trust and respect for the staff.

What else makes a leader? Leaders tell their people what their organization stands for. They set a practice philosophy, involve staff members in its formulation, and stick to it. They know that it undermines leadership and drives employees crazy when they say, "We stand for X," and then show no commitment to "X." They don't say, "We want this practice to grow," if they themselves don't comply with the fee schedule.

Leaders also establish their practice policies as agreements—and a test of their own willingness and ability to follow through. In too many practices, policies are forgotten or ignored, undermining and disrupting the staff's commitment. A classic example: Practice policy says that payment is expected when services are rendered, yet the owner makes unexplained exceptions.

Leaders clarify staff responsibilities and aren't afraid to change a policy if it conflicts with the practice philosophy. Leaders also are listeners, a quality that creates respect and promotes trust. They welcome and implement employee suggestions. To build trust and reinforce commitment, they say "thank you" and give praise and recognition. I've yet to work with a practice in which the staff says they get too much of either.

In *Leadership Is An Art* (Doubleday, 1989), Max DePree defines leadership as, "Liberating people to do what is required of them in the most effective and humane way possible." I agree. The best leader is not a Chinese juggler, but a gardener charged with the growth and safekeeping of the staff.

EQUINE DOCTORS GALLOP ON IN TOUGH ECONOMIC CLIMATE

Despite challenging times in the horse industry, these practitioners stay on course with aggressive, client-centered business strategies. Here's how they overcome the economic hurdles looming along the way.

By Rebecca Gants SPECIAL ASSIGNMENTS EDITOR

A recent survey conducted by the American Association of Equine Practitioners (AAEP) shows that the top issue facing equine medicine today is the economic climate. "After experiencing the drunkenness of inflation in the early '80s, the hangover has been tough on the horse industry and equine practitioners," says AAEP Executive Director Gary Carpenter.

Most breed registries reflect a 13-percent population decrease in the last five years, Carpenter says. Cumulative totals of 17 breed registries listed 275,000 additional horses in 1989, compared to the 315,000 added in 1985. The declining horse population, spurred by the 1986 shift in tax shelters, has meant plummeting income for some equine doctors.

The tide may be changing; VETERINARY ECONOMICS' 1991 financial survey shows average gross practice income for equine veterinarians to be $384,600, a 17.3-percent increase over 1989. Net income rose as well, with equine doctors reporting an average $58,900, up 10.7 percent from 1989.

What pulls equine practitioners through tough economic times? Here, four of your colleagues share the management strategies they've used to thwart the tides of economic adversity. You'll also find a statistical profile of equine practitioners on page 70.

THE AUTHOR is a business and financial writer based in the Kansas City area.

Garner name recognition

For solo equine practitioner Dr. Todd Behre, every day is a struggle to "cover enough miles to meet overhead, then find enough hours left in the day to handle administration." The 1987 Oklahoma State University graduate started a practice in 1989 out of his home in Blairstown, N.J., just 50 miles west of New York City. ▶

Heavy traffic in the densely populated area keeps Dr. Behre on the road; he may spend 90 minutes driving to a stable that's no more than 35 miles away. After returning home, he returns phone calls, completes paperwork, and follows up on cases. "It makes for a long day, but I feel that if I'm up at 10:30 p.m. thinking about a certain horse, I can still call its owner to discuss the case. Most owners react favorably to follow-up at any hour," he says.

Dr. Behre's practice is growing despite the abundance of equine practitioners in the area. In the last three years, his roster of 200 clients has grown to nearly 600, and he averages 120 to 200 stable calls each month. His gross income has more than doubled from $42,000 in 1989, to a projected $100,000 this year.

Dr. Behre says that he keeps his practice on track and growing by educating his clients about preventive care. In addition to 4-H and riding-club lectures, he publishes a newsletter about detecting common horse ailments, and knowing when they require veterinary attention.

"During winter, for example, I see about four malnourished horses a month that have fallen on the ice and sustained injuries," he says. "Euthanasia often is the most prudent option, and it's frustrating to discuss horses' cold-weather calorie demands after it's too late. In a tough economy, grain purchases are the first budget items the owner reduces; there's no gentle way to phrase it: These horses starved to death."

Dr. Behre admits, however, that client education isn't easy. Among the obstacles: A 1989 law that requires Coggins testing every other year—a change that has slowed practice gross, he says. Loss of the profitable $15 service is compounded, he adds, when owners neglect to seek routine prevention during non-test years.

"New Jersey horse owners have access to good-quality care at reasonable fees, and yet there are still price shoppers," Dr Behre says. "A rabies outbreak started two years ago, and more than 400 rabies cases have been reported this year. With all the attendant publicity, owners still question whether their horses 'need' the $10 vaccination."

Fees, he adds, fluctuate with competitive pressures, but Dr. Behre refuses to compete with local vendors and catalog supply houses. "I try to make a living from what I can do with my hands and my knowledge, not from what I can peddle from my truck," he says.

Dr. Behre projects that he'll hire an associate within three years, and he remains optimistic about the future. "Equine practice remains a good choice—even for a new practice," he says. "I'm gaining the trust of my clients, who are realizing that the purchase price of a horse is just the tip of the iceberg; veterinary care is part of the package."

Reach out and teach someone

"The economy can't be much tougher in other parts of the country," says Dr. Jay Merriam, who practices 50 miles west of Boston, in Uxbridge, Mass. The state's "miracle turned massacre" affected real-estate values and increased unemployment; high property taxes also added to the financial woes. Equine doctors suffer the additional blow of urbanization, which has threatened the state's horse population, Dr. Merriam says.

Despite these obtacles, Dr. Merriam, his partner, and one associate averaged a 12- to 13-percent increase the past three years, and estimate 15-percent practice growth this year. How do they attract clients when every horse owner who travels to the 7-year-old practice must pass at least one other equine hospital on the way? "We let horse owners know we're here," Dr. Merriam explains. The doctors publish a quarterly newsletter, producing camera-ready copy on a word processor. The cost per newsletter: no more than $600.

The doctors also conduct a winter seminar series in a rented meeting room. The four lectures, which draw up to 75 horse owners each, feature such topics as lameness, reproduction, and colic treatment. "I'm constantly surprised at the number of new horse owners attending the lectures who don't know even the basics, such as how to feed a horse and how to construct a safe barn," Dr. Merriam says. "The series has become so popular that clients call us in the fall to note the seminar schedule on their calendars."

Despite their grueling work

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"In severe cases, the gingival margin of the upper canine teeth becomes inflamed and ulcerated. An immune-mediated etiology is suspected. Halitosis, ptyalism, and dysphagia are especially prominent when the cat attempts to eat hard foods. If the condition is severe and of long duration, weight loss may be evident."

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weeks, the doctors won't cut back their client-education efforts. "We've learned that lecturing to riding groups around the state initiates a chain reaction that results in referrals from colleagues and clients," Dr. Merriam says.

The doctors concentrate on their own education as well. Dr. Merriam, a 1969 Kansas State graduate, completed a residency at the University of Missouri before obtaining his master's degree in equine surgery in 1973. To expand his skills in equine medicine, he also took short, intense course work on reproduction. And now, after 22 years in practice, he says he's still learning, thanks to continuing education and the prodding of new associates. "You just can't lay down and say the economy is bad," he says. "Go look for other services to offer."

To keep up with the fluctuating horse industry, practice flexibility is critical as well. "The equine business has shifted dramatically with the economy," Dr. Merriam says. "Six years ago, up to 40 percent of our practice was in reproductive services, but that business disappeared with the local race track. So we moved the practice into previously neglected areas. For example, the sport-horse segment has more than filled in for the reproductive services. And the show and dressage horses were always there, but we weren't taking the time to service them."

Service opportunities increased even more when Dr. Merriam constructed a 2,000-square-foot clinic with a four-stall barn in 1987. The large surgery room is underused now, he says, but the exam room remains busy, primarily with lameness evaluations. The doctors still travel every day, and scheduling farm calls efficiently is an ongoing concern. But, Dr. Merriam reports, the new clinic allows them to see many clients in a short amount of time each morning.

"Changing the emphasis of the practice has meant sacrifices," Dr. Merriam admits. "Prognosis for the equine industry is good, and racing is expected to return to this area soon, but equine medicine will continue to change. We've been surprised and pleased at our practice growth, but we've had to go out and get the business.

"Equine practitioners must be willing to respond legitimately to an entire population of Americans who didn't grow up on farms, and who have no appreciation for rural values. We must prepare ourselves to respond articulately to animal-rights activists who oppose animal ownership, and who perceive show animals as abused. Our background also places us in the role of educating planning and zoning boards about the positive aspects of retaining green space for animals, even in urban areas."

Diversify and buckle down

Although his practice is located in the world's premier yearling market, Dr. Walter Zent, of Lexing-

ton, Ky., agrees that the successful horse practitioner must be willing to adapt. After 25 years of focusing on reproductive services, the 1963 Cornell graduate proved his mettle by taking a fresh look at equine practice.

"We're finding ways to market services for performance horses," Dr. Zent says. "When the broodmare market was flourishing, we didn't have time to develop a practice for show horses, hunters, and jumpers. Now reproductive services represent only 50 percent of the practice gross."

Diversity, however, doesn't solve all the economic woes. "We're still coming off an artificial high when yearlings and stallions were too costly. The horse business lost glamour when the business world lost the benefits of limited partnerships. In 1989, the Jockey Club registered 50,000 foals; they predict that only 36,000 foals will be registered in 1992. Even foreign sales are down."

When the yearling sale closed in Lexington last September, the outcome was familiar: The average sale price rang in at $29,589, compared to $29,694 in 1990. Sales fell slightly, from 2,913 in 1990 to 2,623 this year.

For Hagyard, Davidson & McGee, a 116-year-old practice with 11 owners and six associates, income has decreased for three straight years, Dr. Zent says. Total practice gross fell 10 percent in 1990; the ambulatory portion of the practice dropped 18 percent in two years. By adopting stringent business practices, however, Dr. Zent says they've halted the decline. Surgery income is stable and, although medical services are down 15 percent, the volume of drug sales is up 100 percent.

"We've tried to cut the fat from the practice these past few years," Dr. Zent continues. "The doctors have been forced to become more efficient. With the loss of veterinarians, the lay staff has had to become more flexible in order to perform more jobs."

Other strategic maneuvers: more stringent collection policies and more aggressive merchandising. Total accounts receivable is down $200,000 from a year ago,

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Hemangiomas

Benign proliferations of the skin and soft tissues

In pigs, these lesions generally occur in the scrotal or perineal skin of Yorkshire, Berkshire, and less commonly, Chester White boars. Their tendency to ulcerate, as well as the importance of confirming the diagnosis to make a prognosis, indicates removal."

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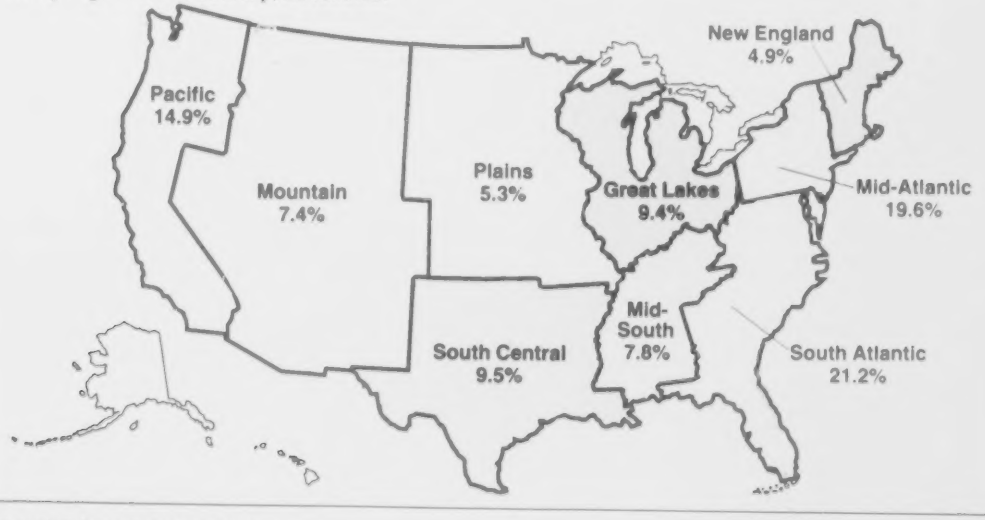
JUST PUBLISHED

EQUINE DOCTORS: THE VITAL STATISTICS

VETERINARY ECONOMICS' latest financial survey provides this 1990 snapshot of equine doctors:

Percent who are male	77.0	Percent partners in multidoctor practice	19.0
Percent who are female	23.0	Percent employed doctors	19.5
Average number of years in practice	13.5	Average client transaction fee	$71.30[2]
Average number of client visits per week	70.3[1]	Average charge for an office call	$25.40[3]
Average number of hours worked per week	59.9	Average individual gross income	$158,900
Average number of equine doctors per practice	2.7	Average individual net income	$58,900
Percent solo practitioners	61.5	Average practice gross income	$384,600

The equine doctors who responded to VETERINARY ECONOMICS' 1991 financial survey practice in every region of the country, as follows:



[1]Includes both farm calls and in-clinic visits.
[2]Includes clinical procedures, drugs, and merchandised products.
[3]Includes exam.

Dr. Zent reports, and merchandising income is up. "We're trying to manage drugs in a competitive mode, which is good from both an economic and a medical standpoint," he says. "We now have better control of patients' preventive health care, which makes our lives easier."

> "Our consultant offered ideas that we just didn't see."

Develop a business sense

Beginning in 1979, Dr. Eric Osterholm and his two partners worked in a steady practice environment in the Oakdale area of central California, concentrating on reproductive services. Then the market began to crumble, and a popular associate departed—with numerous clients. Income fell by 15 percent in 1987.

Practice gross remained steady in 1988, but the debt load skyrocketed. "That forced us all to become more involved in the practice as a business," says Dr. Osterholm, a 1978 University of California-Davis graduate.

"By adding embryo-transfer services and staying at the diagnostic forefront of equine medicine, we've always seen growth, even during the lean years," he says. "But the founder of our practice always insisted that the doctors stay current with lameness diagnoses. So when brood-mare work went from 50 percent of the practice to 30 percent, orthopedics served as a backbone to sustain the practice," he says.

Still faced with a substantial loss of income, the California doctors hired a management consultant in 1989. "After an intensive and expensive initial evaluation process, the consultant was able to offer concrete ideas for financial growth that we just didn't see," Dr. Osterholm says.

"Suddenly we were no longer operating on whim or gut instinct," he continues, "we were making necessary management decisions. The consultant took us from a reactive mode of meeting expenses each month to making budgets meet our practice plan."

Among the improvements: The doctors no longer send bills to absentee owners and wait for the money to arrive. "Our collections staff member was spending an inordinate amount of time chasing down receivables," Dr. Osterholm explains. "Now she calls the owners and discusses options for payment immediately."

The doctors don't always agree with their consultant, but say the $10,000 annual maintenance cost of consulting and accounting services remains a good investment. "The manager reinforces our need to monitor what it costs to provide good veterinary care," Dr. Osterholm says. "We're now more inclined to adjust fees and drug prices commensurate with what we're worth, rather than feeling forced to set fees by the competition."

Dr. Osterholm and his partners also made the decision to expand their service area. Working with four associates, the three partners operate satellite facilities in Clements, which is south of Sacramento, and in Pleasanton, 40 miles east of the Bay area. The doctors report that a decade of investing in equipment and new services is now paying off.

To better serve clients, the practice leases space in small, private training centers. The satellites, which are equipped with automatic processors to develop radiographs, feature drug-storage areas and room to perform standing surgical procedures. Access to indoor arenas allows the doctors to conduct lameness evaluations as well. Diagnostic ultrasound and major surgeries are performed at the central hospital, which is increasingly attracting referrals.

The doctors are rebuilding their radiology, taking bids for a new radiography unit, and planning nuclear-medicine studies. Recent equipment purchases have upgraded ultrasound abilities, and Dr. Osterholm predicts that the investments will pay for themselves within three years.

An additional boost to client services, and an additional expense: Hiring a board-certified surgeon who required sizeable instrument expenditures. To announce the arrival of the new associate, the doctors mailed brochures to clients and colleagues. Among the doctors' top challenges for 1992: Expanding the surgical

facets of the practice.

"Adopting a business attitude didn't take the fun out of equine practice, but it did take the fear out of looking to the future," Dr. Osterholm says. Lexington veterinarian Dr. Zent is optimistic as well: "After the equine market bottoms out, the industry will improve," he predicts. "The purse structure at the tracks is very strong, and the yearling supply is tighter, so prices should climb. With lower breeding fees, owners will see more profit. We'll never reach a bounty of million-dollar yearlings again, but the market doesn't need to go to that extent to be healthy."

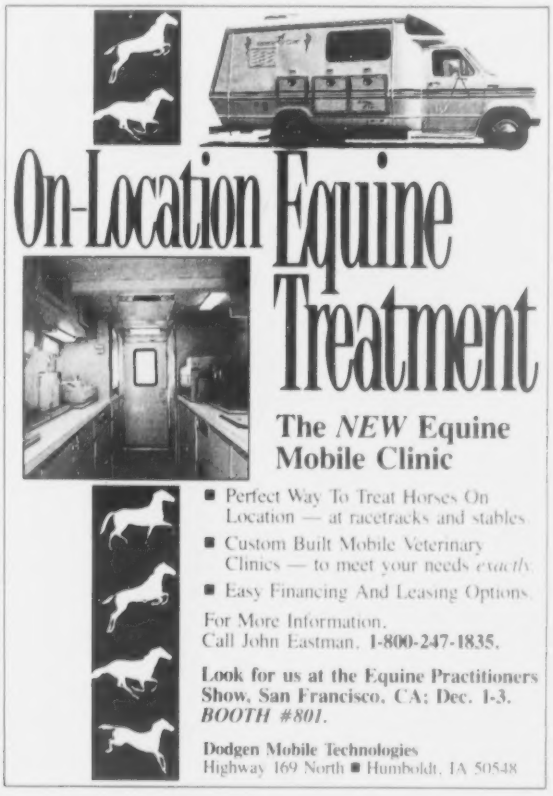
As for clients, Dr. Osterholm prefers quality over quantity. "We now deal with legitimate owners who are knowledgeable and more interested in promoting particular lineages than in tax dodges," he says. "We've been able to restructure, because we have clients who demand sophisticated procedures and who are more pleasant to work with. When the industry came to a stop, we remained positive and decided to ride out the business cycle."

"Attitude plays a key role in your level of success," agrees Dr. Merriam of Massachusetts. "If you're not having fun in practice, you might as well be selling insurance. Equine medicine today requires telling people what services you offer."

Dr. Merriam, for example, purchased a $30,000 portable ultrasound machine in June, and predicts that it will pay for itself within 18 months. "Clients can't see the benefits of upgraded laboratory and radiograph equipment," he says, "but they can sure see the difference between an ultrasound procedure and the veterinarian running his fingers up and down the horse's leg to detect problems."

"Every horse presented for a lameness evaluation is examined by three doctors at our practice," Dr. Merriam continues. "Clients realize that they're getting a bargain—three professional opinions for the price of one. Although this method may not be cost-efficient, we find that, at the end of the year, the bottom line proves it works."

Dr. Merriam's final words of advice: "Remember, in a multidoctor practice, you don't have to work every weekend; and you should take your vacation in two-week increments. Practice can be serious business, but there's plenty of room for appropriate levity; it's important to maintain your sense of humor." ■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